

**March 21, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.75	SMERA BB-/Stable (Reaffirmed)
Cash Credit	0.75	SMERA BB-/Stable (Assigned)
Bank Guarantee	7.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long term ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Srinivasa Enterprises (SE). The outlook is '**Stable**'. The ratings continue to be constrained by the small scale of operations, tender based nature of business, fluctuating profitability and intense market competition in the construction industry. Further, the ratings also factor in customer concentration risk and partnership constitution of business. The ratings however, derive comfort from the experienced promoters, established track record of operations and comfortable financial risk profile marked by healthy coverage indicators.

Update:

SE reported net profit of Rs.0.36 crore on total income of Rs.13.80 crore in FY2015 (refers to financial year April to March), as compared with net profit of Rs.0.42 crore on total income of Rs.18.26 crore in the previous year. The profit margins are susceptible to volatility in prices of key raw material. The operating margins have improved slightly from 5.31 percent in FY2014 to 5.94 percent in FY2015. The moderate financial risk profile is reflected in the gearing of 0.65 times as on March 31, 2015 and interest coverage ratio of 2.85 times in FY2015.

Outlook –Stable

SMERA believes the outlook of Srinivasa Enterprises will remain 'Stable' over the medium term owing to the experienced management and 'Class A1 contractor' status. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows through successful execution of large projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the liquidity position or delays in project execution.

Rating Sensitivity Factors

- Scaling up of operations and sustaining profit margins
- Efficient working capital management

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SMERA RATINGS LIMITED

Srinivasa Enterprises (SE)

Rating Rationale

About the Firm:

SE was established as a partnership concern in 2001 by Mr. B Jeevan Kishore. The firm undertakes civil contract work related to construction of schools, hospitals and buildings for Government of Karnataka and Andhra Pradesh.

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